

# STATE OF INDIANA PUBLIC EMPLOYEES' RETIREMENT FUND

**FRANK O'BANNON**  
GOVERNOR



**E. WILLIAM BUTLER**  
EXECUTIVE DIRECTOR

## **ACTIVE MEMBERS' UPDATE** AUGUST 2000

### **MESSAGE FROM THE EXECUTIVE DIRECTOR** **E. William Butler**

In the last newsletter, I remarked about the fact that things are changing here at PERF. At that time, the legislature was pondering Senate Bill 64, a measure we think is the most significant new piece of legislation in the history of PERF. I'm now happy to report that it passed and was signed by the Governor last Spring. Let me just say that this new law gives PERF the tools it needs to bring better and fuller service to you. The General Assembly recognizes that you, the active and retired members of this Fund, deserve the best in service and security in your pension plan. By passing this legislation, they have made it possible for us to provide better service to you while, at the same time, we maintain a strong investment program in the global investment markets.

We feel the members and their employers are, in effect, the owners of the Fund. The assets entrusted to us from your employers will, after all, be invested for your benefit and returned to you when you retire. The legislature has given us the responsibility of protecting your retirement security by following prudent investment policies and paying benefits to you when you retire. We take this responsibility very seriously.

The staff and I will need your help as we move the fund into the 21<sup>st</sup> century. We think the owners should have a say in how the business is operated and we would like to hear from you. Many of you have offered suggestions for different services we might provide or ideas about how we might do things better. Many of those will become reality sometime in the future. If there are others who might have suggestions for us, we would like to hear them.

We also need your patience. Although the legislation opens the door for us to make changes, we hope you realize that it will take some time to implement them. The General Assembly has put the final piece of the puzzle in to modernize the Fund. But as with all improvements, we must take the time to do the job correctly. As the fund makes changes, we will keep you informed. This newsletter is one example of how we will do so. Other communications plans include a more comprehensive annual report and regional pre-retirement conferences. A strong and effective communication program is one of our top priorities.

Another part of our communications program is a call center. Most of our members use the telephone to communicate with the Fund and we recognize that the current arrangement could be more effective. Therefore, we have made the establishment of a call center one of our highest priorities. By sometime next year, we want to have a call center that will be able to provide answers to your inquiries and get you information in a quick and efficient manner. Presently, we are in the preliminary stages of assessing our needs and designing our system.

We are excited about the changes we see for the Fund and want you to be a part of them. As always, please feel free to write, call or e-mail any of us with your suggestions or comments.

# VOLUNTARY CONTRIBUTIONS TO THE ANNUITY SAVINGS ACCOUNT

Mark Webb, *General Counsel / Deputy Director*

## BACKGROUND

As we have told you in the past, your retirement benefit from the Public Employees' Retirement Fund consists of two components: (1) the defined benefit pension portion and (2) your annuity savings account. The pension portion of your retirement benefit is funded by contributions made by your employer over the course of your career. The annuity savings account is funded by contributions that you make, or your employer makes on your behalf, to the Fund. Traditionally, the contribution to your annuity savings account has been set at a mandatory rate of three percent (3%) of your compensation as stipulated by statute [Indiana Code 5-10.2-3-2(b)].

During the 2000 Legislative Session, the Indiana General Assembly and Governor O'Bannon enacted a provision that allows you to make voluntary contributions in addition to the mandatory three percent (3%) contributions. You may increase your annuity savings account contributions in whole percentage increments up to an additional ten- percent (10%) of your compensation per pay period. This means that the maximum level of contributions to your annuity savings account under this new provision is thirteen percent (13%) of your compensation per pay period.

## QUESTIONS AND ANSWERS

### ***Q: How will the voluntary contributions be invested?***

**A:** All voluntary contributions to the annuity savings account will be invested in the same manner as your annuity savings account monies are currently invested. You cannot separate the mandatory and voluntary contributions for investment purposes. Specific rules apply to the investment of your annuity savings account. These rules are explained in our booklet entitled, "Investing Your Annuity Savings Account." If you have questions regarding this matter or want to request an investment booklet, please visit our home page on the World Wide Web at <http://www.state.in.us/perf> or contact us at our toll-free number at (888) 526-1687.

### ***Q: What is the taxable status of these contributions?***

**A:** These additional voluntary contributions are post-tax. However, interest earnings on your annuity savings account, including interest from voluntary contributions, will remain tax deferred until you receive payment via withdrawal or retirement. This means that the voluntary contributions will be taxable for income and employment tax purposes at the time you earn and make contributions to your annuity savings account. If you have any questions regarding the tax implications of the voluntary contributions, please consult a qualified tax advisor.

### ***Q: After completing the form, what should I do?***

**A:** Once you have completed the attached form, please submit it to your payroll administrator. Please do not send the form to the Fund, as we cannot process your request, since this must go through your payroll administrator. Any forms sent to the Fund will be sent back to you. The Fund is not responsible for any delays in the collection of contributions resulting from the improper submission of this form.

### ***Q: What if I want to change the percentage of my voluntary contributions?***

**A:** Should you decide to make voluntary contributions and later decide to change your percentage, you may do so by completing another form and submitting it to your payroll administrator. Your changes will become effective as soon as your payroll administrator processes your request.

### ***Q: Whom can I contact with questions about voluntary contributions to my annuity savings account?***

**A:** Increasing your annuity savings account contributions could have a significant impact on your future retirement assets. Should you have any questions, you can contact your payroll administrator for information on the withholding process or the Fund for information on investment options or effect of these contributions at (888) 526-1687.

## IMPORTANT ITEMS TO CONSIDER

This savings option is likely one of several savings options available to you. Contact your payroll administrator for more information regarding other potential savings options. Carefully consider all of these options before choosing to participate in a program. For example, some other savings programs may have a corresponding employer matching contribution. Supplemental voluntary contributions under this option are not matched by your employer. Other savings programs may be "pre-tax" – contributions are not included in your taxable income – contributions under this option are not pre-tax. The money that you voluntarily contribute to your annuity savings account is not available for your use. This money is treated the same as your mandatory three percent (3%) contributions. As such, it is not available until you either withdraw or retire from the PERF.

These voluntary contributions are subject to limitations imposed by the Internal Revenue Service. For example, if you are considering purchasing service credit, you are subject to an overall limitation. Please consult a qualified tax advisor or the Fund if you have questions regarding these potential limitations.

# REEMPLOYMENT AFTER RETIREMENT

Patrick Lane, *Editor*

On April 7<sup>th</sup> of this year, President Clinton signed into law the “Freedom to Work Act” for seniors. This new federal law gives workers who have reached full retirement age (currently age 65) the right to work and receive their full Social Security retirement benefits. The repeal of the Social Security normal retirement earnings limitation has effectively removed the Indiana statutory earnings limitation applied to PERF benefits, as well. This new law became effective January 1, 2000. The Pension Management Oversight Commission is reviewing this issue and will make a policy recommendation to the state legislature in the upcoming legislative session. ***Please keep in mind that until approved or amended by the General Assembly, these policies may be only temporary.*** We will keep you updated on their progress in the legislature.

## APPLYING THE LIMITATION TO PERF BENEFITS

Since there is no longer an earnings limitation stipulated by the Social Security Administration for normal retirement, retired members who return to work in a PERF-covered position may earn any amount in wages or salary after retirement and still receive their PERF pension benefit.

As a result of the repeal of the earnings limitation, PERF has identified two groups of members that this will affect:

### 1. Those who are newly hired into a PERF-covered position and currently receiving PERF benefits.

These members are not required to re-enroll in PERF regardless of their level of wages or salary. Though, they do have that option, which would allow them the opportunity to continue accruing creditable service and salary history toward a second retirement. However, their PERF benefit would have to be suspended until the 90-day separation of employment had been met. At that time, their PERF benefit would be recalculated taking into consideration the additional creditable service. This is a one-time, irrevocable election to participate or not participate that can be made on the Election to Continue or Discontinue Benefits – New Hires form. Everyone in this group should complete this form, as well as a new membership application and submit them to PERF through their employer.

### 2. Those who are currently employed in a PERF-covered position and have had their benefits suspended in the past for exceeding the former earnings limitations.

These members have a couple of choices to make:

- First, like the other group, they can choose to continue active membership in the Fund and suspend their benefits, earning additional credit toward a second retirement or have their benefits resumed.
- However, if a member chooses to resume their PERF benefits while actively employed in a covered position, their second choice is to decide the effective date to resume those benefits. The elimination of the earnings limitation was retroactive to January 1, 2000. The member may elect to resume their PERF benefits back to that date or the first day of the month following the receipt of the member’s election form by PERF.

Further, a member may not elect to apply for a refund instead of receiving a second retirement. That is to say, the member will forfeit all service credit, and subsequent employer contributions, for the period of employment following the effective date that is chosen. Contributions made by the employer for both the pension and the Annuity Savings Account for that period following the effective date of benefits will be credited to the employer’s account. ***PERF members are not permitted to simultaneously receive benefits and accrue additional service credit toward a second retirement.*** Everyone in this group should complete the Election to Resume Benefits or Continue Participation form and submit it to PERF through their employer.

The repeal of the Social Security Earnings Limitation now provides added flexibility to retired members of PERF to help supplement their retirement income. The President and members of Congress said eliminating the earnings limit for older Americans was an important first step in undertaking comprehensive Social Security reform. The Social Security Administration made all necessary adjustments and retroactive payments automatically back to the first of the year.

**PERF ONLINE**  
**Diann Clift, M.I.S. Director**

While the Public Employees Retirement Fund (PERF) continues in its efforts to replace our old computer system, we have also begun enhancing electronic communications to our members. One of our tools in communicating with members and employers is our web page, [WWW.STATE.IN.US/PERF](http://WWW.STATE.IN.US/PERF), which was redesigned in July 1999. The web page provides information regarding handbooks, forms, frequently asked questions, investments and other information of interest to members and employers. Members can submit questions via our web page and can also download forms and handbooks for their use. Since July of 1999, our web page has had approximately 54,000 visitors. In an ongoing effort to improve this valuable tool, PERF is undertaking a project to update our web page a second time. Our goal is to provide easier access to information of interest to various types of members. We plan to provide sections for new members, active members, those preparing to retire, retired members, and our employers. We also plan to enhance the investment information and continue adding more resources that can be downloaded or printed for your use.

As our current computer system does not provide adequate security to allow online access to member account information, we cannot provide real-time access to account information at this time. Our new system, the State of Indiana Retirement Information System (SIRIS) will provide the security necessary for real-time access to your account. Over the next year, we plan to more frequently update information on the web page, begin pilot projects for employers and members to submit information via the web and continue looking into a means of providing secured access to account information to our members. Our long-term goal is to use our web page as an interactive tool in communicating and allowing you to make decisions regarding your retirement account. Please visit our web site at [WWW.STATE.IN.US/PERF](http://WWW.STATE.IN.US/PERF).

**OTHER ONLINE RESOURCES**

We strongly recommend referencing proven financial publications such as the Wall Street Journal. However, the Internet has provided new opportunities for accessing abundant resources, and the following federal government agencies and not-for-profit organizations provide valuable background information on retirement planning, personal savings and financial planning and investments.

Social Security Administration (SSA)  
[www.ssa.gov](http://www.ssa.gov)

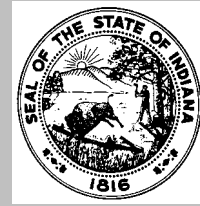
American Association of Retired Persons (AARP)  
[www.aarp.org](http://www.aarp.org)

Get Financially Fit by the Department of Labor (DOL)  
[www.dol.gov/dol/pwba/public/pubs/part2.pdf](http://www.dol.gov/dol/pwba/public/pubs/part2.pdf)

American Savings Education Council (ASEC)  
[www.asec.org](http://www.asec.org)

Securities and Exchange Commission (SEC)  
[www.sec.gov](http://www.sec.gov)

Wall Street Journal Magazine of Personal Business  
[www.smartmoney.com](http://www.smartmoney.com)



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